László Csaba*

Ready, Steady, Go?
How Prepared Are the New EU Members for Full Integration?

With the enlargement of the European Union by ten emerging economies on 1 May 2004 a historic era of divisions created by Yalta will come to an end. There is every reason to be optimistic, since the new members will arrive after 10-14 years of preparation. Therefore, unlike in previous enlargements, they can be thought to be better prepared. For instance southern member states needed long transition periods to complete trade liberalisation. By contrast, the new "eastern" member states have all opened up their economies as part and parcel of the transition to the market economy. They established full convertibility of their currencies (on current account items) by the mid-1990s, an achievement not accomplished by Spain and Italy for instance until the early 1990s. Last, but not at all least, opening up their capital account – a subject of extensive controversy in the international literature[1] following the east Asian contagion of 1997-99 – has also been gradually attained by the early 2000s.

Advantages of a Long Preparatory Period

The long preparation in the ante-chamber had further advantages from the point of view of integration maturity. First, the Europe Agreements ensured the orderly and sustained liberalisation of economies followed by institution building. The latter phase has been adjusted by the innovative policies of the EU, including the so-called structured dialogue, launched by the Essen Council of 1994, when cabinet members of the candidates could attend regular meetings of their counterparts, be they responsible for justice and home affairs or the environment. This innovation ensured continuity among the changing governments of the new democracies. As a second innovation, the phase of acquis screening, a kind of pre-entrance examination, took place in l998-99. Then, the implementation deficits of already formally adopted EU pieces of legislation were cross-checked before actual negotiations on full membership could be started. In so doing the EU imposed a degree of discipline perhaps over and above the level intended by the respective candidate countries. For instance in Hungary it took years until the agency managing EU funds for agricultural support could be established outside the framework of the sectoral department. Likewise court practices had to be adjusted according to openly stated requirements in terms of implementing what is in the law books. Finally in the phase of accession negotiations the EU Commission adopted a "take it or leave it" approach. Unlike in cases of previous enlargements, no new items have been put on the EU agenda, (like Trans-Alpine transport at the time of Austrian accession). Following the Treaty of Amsterdam in 1997, the previously widely used opt-outs have been outlawed. Thus the only option the new members had was to ask for a limited period of derogation. In other words, the question is not *if* they are to introduce various common policies, be they the single currency or environmental laws, but rather only *when* the time for implementation has arrived. Therefore such arrangements as the 16-18 years transition period for the implementation of the waste-water directive can be seen as demanding, rather than lax, arrangements.

The new member states have also been trained for full membership much more intensively than any of their predecessors. Selected Members of Parliament could attend the sessions of the European Parliament as observers. Moreover, representatives of the new, not yet member states could participate in the labours of the Convention on the European Constitution. Last but not at all least, pre-accession funds – PHARE, SAPARD, ISPA – to the value of € 45 bn have been earmarked to improve their administrative capacities.

Before agreeing to their membership the Commission of the EU produced regular reports assessing the integration maturity of the candidates. Although these assessments were not void of political considerations, they did reflect detailed professional studies of the state of the art in each of the 31 chapters of the acquis. The political decision of December 2002 to take ten new members on board was thus based on a rather lengthy and detailed process of examination. Moreo-

* Professor of economics and European studies at the Central European University, Budapest and at the University of Debrecen; Chair, Committee on Economics of the Hungarian Academy of Sciences.

[1] J. Caprio, P. Honohan, J. Stiglitz (eds.): Financial Liberalization: How Far? How Fast?, London and New York 2001, Cambridge University Press.

ver, the component of examination has been much more pronounced than the item of give and take that used to be so closely observable in previous cases of enlargement. The fact that such major components of legislation as the law on central bank independence or the abolition of capital punishment had to be tailored to the EU acquis has already produced a considerable degree of systemic congruence. Furthermore, the regular participation of, say, Ministry of Finance officials in meetings of the Ecofin Council, the regular and active cooperation of national banks with the ECB, or the experience gained by proto-MEPs in the workings of the Strasbourg/Brussels organ all helped to smooth what seemed to be a particularly bumpy road from Communism to the EU.

Let us note: not only have the new members been effective in taking over EU legislation (in the case of Malta and Cyprus the British institutional heritage has not called for major changes) but, in terms of several macroeconomic indicators such as gross government debt, and even inflation, and in several years also in terms of deficit and interest rates, several new members have been outperforming the incumbents, such as Greece, or Italy, or Portugal. This is a clear indication that the process of institutional and nominal convergence has indeed materialised. Also in terms of economic growth – real convergence – the transition economies emerging from the transformational recession[2] have shown impressive signs of long-term catching up. True, this process started from a low level, the average of the EU-10 still being below 50 per cent of the EU-15. However, as long as this growth is based on improved allocation of resources, the dynamically growing role of foreign direct investment and wage restraint (relating net wages to productivity growth), this is both healthy and sustainable.[3] But as could be forecast in the paper just quoted, as long as wage restraint is given up, and fiscal positions become expansionary, the dynamics of growth are bound to slow down. Moreover, if sources of endogenous growth, be they R+D or a generally business-friendly climate (rule of law in the economy) are neglected, there is no reason why a lower level of development *per se* could translate into higher growth rates. *Convergence in economic theory is known to be a conditional process* that is likely to materialise only if the complex set of pre-conditions, in terms of policies and institutions, is delivered in reality. In the following I shall investigate if and to what degree these conditions are given in the new member states. It is a relevant research question, both in terms of theory and policy, since membership in the European Union *per se* has not resulted in automatic catch-up, especially not at the level of regions, nor at the level of national economies. EU is a chance though, a window of opportunity, but it is not a panacea. The mere fact that EU members spend a mere 0.97 per cent of their GDP on financing EU related matters in 2004 is already a clear indication that those seeing the advantage of EU membership in massive official transfers (once capped at 4 per cent of the recipient country's GDP) are likely to be severely disenchanted soon.

Ambiguities on the Substance of Policies: Institutional Issues

It would be blue-eyed to be surprised to observe that newly established institutions – or ones re-introduced after a hiatus of four to five decades, like competition law – do not deliver the same way as they do in advanced economies.[4] This has to do with the lack of experience, as well as with the role of historical context and other factors, subsumed in economic theory under the name of informal institutions. It takes time and experience, for instance, until independent regulatory organisations, say in the banking sector, learn how to act and how not to act. Likewise, competition law is, for the time being, much more widely used by transnationals than by local businesses.

Similarly to advanced economies, institutional innovations need time to be familiarised. It is by no means easy for a government the members of which have been socialised in the era of the planned economy to learn that an independent central bank may not be accommodating any fiscal deficits. Likewise it may take time to realise that governmental pronouncements, even of intentions, may carry weighty consequences through the reaction of capital markets. "Fundamentals" no longer explain macroeconomic outcomes, while pronouncements and changes in perceptions do change variables that matter for the real sector, such as the rate of interest or the exchange rate.

It may be no less difficult to learn that EU funds are allocated according to principles adopted by incumbents that may or may not overlap with the priorities followed by the new members' national ministries. In the case of agriculture there is a clear drift between local initiatives to boost production and EU policies

[2] J. Kornai: Transformational recession: the main causes, in: The Journal of Comparative Economics, Vol. 19, 1994, No. 1.

[3] More on that in: L. Csaba: Convergence and divergence in transition and integration, in: D. Schorkowitz (ed.): Transition – Erosion – Reaktion, Bern-Frankfurt-New York 2002, P. Lang, pp. 41-69.

[4] Let us note that following the series of accounting scandals, from Enron to Parmalat, it is hard to come up with the conventional proposition of anybody possessing the stone of wisdom.

derived from WTO and environmental considerations as well as from the Fischler reforms.[5]

Limited Administrative Capacity

Administrative capacity has been notoriously limited. The improvement of this factor, vital for success in intra-EU bargains, has long been recognised as necessary. Much of the pre-accession funds have been directed to improving these, and rightly so. The countries themselves have invested in it. Moreover, the substantially increased number of university graduates, many of whom have spent several semesters, even years, in western universities (not least thanks to the Erasmus and Socrates programmes), the ongoing exchange programmes among regional organs and the like have already produced substantial numbers of properly trained civil servants. Also the practice of outsourcing, the enhanced reliance, also by central governments, on public-private partnerships, may bring about a much larger increase in this area than it may appear.

However it would be wrong to deny that administrative capacity of the regions in the new members lags significantly behind that of the old members. Experience with the Nordic enlargement has already shown that municipalities and regions of more advanced countries stand a fair chance of out-competing those which, in the solidarity-oriented language of EU regional policies, should have enjoyed priority. If for no other reason – such as the February 2004 initiative of the Commission to re-tailor regional spending – this experience may well foreshadow that new members are unlikely to capitalise in full upon all the funds earmarked for them in Copenhagen. As is well known, the smaller amount of agricultural support was to be compensated by a larger amount from the structural funds. However, the latter are not entitlements, and thus insufficient administrative capacity may cross the preliminary calculations of diplomats and bureaucrats. Anybody familiar with the practice of research funding by the EU could testify that sums earmarked for competitive bidding have relatively little in common with targeted entitlements received on citizens' rights.

Return to Economic Populism

One of the more surprising developments of the early 2000s has been the return to economic populism in the front-runner countries of transition that will shortly be EU member states. This holds for the Visegrad countries, not for the Baltics. Parties on the left and right have been engaged in a rehash of old-fashioned competition over redistributory promises.

It is hard to develop a political economy model in line with the broad literature on fiscal sustainability that could offer a conceivable explanation for the fiscal derailment. Unlike in eastern Germany, where the exodus of the population has been going on ever since reunification, and unlike in France, where any major attempt at structural reforms has led to mass demonstrations, signs of measurable social pressure cannot be invoked to explain the softening up of governmental policies. By contrast the slow but steady erosion of governing parties, themselves broad coalitions of interest, could perhaps be invoked. If this is the explanatory factor, the conventional political economy modelling, invoking the weak position of the minister of finance and the fragmentation of the process of fiscal planning[6] could be relied upon.

However, strong doubts may be had about the viability of this explanation in countries like Hungary, where the constructive vote of no confidence cements any government to power. This circumstance allows Premiers to conduct any policy they wish to. Furthermore, if a country has attained a level of inflation below 5 per cent, social consensus favouring low inflation does not need to be created from scratch. Furthermore, the evidence from both incumbent and new EU members clearly shows that low inflation is a key precondition for growth to be sustained, while fiscal expansion produces only very short-term remedies in a globalised environment.

Interestingly enough, participation in the rituals of EMU, like elaboration of the Broad Economic Policy Guidelines (this time called Programmes for European Partnerships) as well as of the Convergence Programmes has done little to stop the central European governments from gross derailments. While domestic economic theory, increasingly influenced by standard mainstream concepts due to the modernisation of higher education, does not provide much room for populism, and the warnings coming, increasingly publicly, from the Commission and the ECB all point in the opposite direction, the disintegration of ruling coalitions has allowed for a policy drift that does not follow from "exigencies".

It would be hard to answer the question whether this unwelcome turn is a sign of institutional or policy weakness. The more we attribute it to institutional performance and design, the more we can follow

[5] A. Kay: Path dependency and the CAP, in: Journal of European Public Policy, Vol. 10, No. 3, 2003, pp. 405-420. Cf. also the Forum discussion in: INTERECONOMICS, Vol. 37, No. 2, 2002, pp. 232-243.

[6] J. von Hagen, E. Perotti, K. Strauch: Fiscal Sustainability, London 1997, Centre for Economic Policy Research.

the arguments of the chief economist of the EBRD[7] that the idea of euro-zone membership is premature, an idea that is to be given up, the sooner the better. This approach, however, provides too easy an exit. It abstracts away from the more general insights[8] calling for the limitation of discretion in fiscal policy-making, on grounds of smoothing activity and of empirical findings supportive of higher growth in countries with less discretion. Alternatively, once we accept that the single currency has been a political economy tool, in the incumbents too, to orchestrate reforms that are needed for solid finances and sustaining growth anyway, the more we believe that the Stability and Growth Pact is a next to ideal point of orientation for the new members in specifying measures and the trajectory they need to follow if they wish to benefit the most from joining the stability club of the EU.[9]

It remains to be seen – as part of a more general European policy issue – if and to what degree public discourse and the related public perceptions can deviate from what is established insight in economic theory. Experience suggests that there is no "inevitability", let alone shortcuts from theoretical insights to broader policy changes. However, global experience with economic policy reform over the past quarter of a century is indicative of the *potential, though by no means the necessity* of changes for the better. Whatever way it may be, unless these changes are forthcoming new members' ability to make full use of the potentials of their EU membership, starting with the advantages of stable money and a calculable framework, as a major component of choosing investment localities, will remain constrained. Differently put, their preparedness for an EU based on a single currency is limited at best.

Level of Long-term Interest Rates

It may seem to be a formal criterion, but it is not: the level of (long-term) interest rates. From a legal point of view this is one of the Maastricht criteria that need to be met. Given that the new members joined *not only the EU but also EMU*, though with a derogation for a limited time, meeting the criteria is also just a matter of time, and no longer a matter of debate. But there is more to it. From the point of view of investors in general and of capital markets in particular, the level of the rate of interest is among other things an indicator of trust. This is not an absolute maxim (the smaller the better), but if a country operates, in the long run, with interest rates way above the level customary at the time in global capital markets, it sends a signal equal to a profit warning of a corporation. On the one hand, the ability of the local government and of local corporations to finance their activities (expansion by reliance on external/additional funds) will be constrained. On the other hand, the level of the interest rate is a reflection of the expected risk premium, that is of the overall assessment of the country by the markets. Moreover, this is by no means a spot phenomenon, since we are talking about long-term interest rates.

From a formal perspective it is an encouraging sign that papers with a maturity of 7-10 years have become customarily traded in the central European emerging economies. It also is a promising sign that stock market capitalisation in some of the new members is above that of the old ones. However, as long as the debt of new members, with the exception of the Czech Republic, trades at a very high risk premium, and furthermore that central banks are pushed to sustaining high real rates of interests, this is a sign that the ability of these countries to attract foreign investment, over and above the one-shot opportunity of privatisation,[10] is limited. This is much more of a problem from the point of view of financing long-term, sustainable growth, than the outcome of bargains over the structural and agricultural funds of the European Union. Still, it could be precisely the full membership in the EU that might deliver the required bonus in terms of credibility and reputation that could improve the market standing of central Europe. The latter would translate into the numbers on the capital markets, that is smaller spreads and especially to significantly lower long-term interest rates than the ones prevailing at present.

Reforms in the Making

Available evidence is indicative of a grave danger that may lead to disenchantment and euro-sceptical backlash in the second half of the decade. Namely that new member states are not properly prepared (often not prepared at all) for the changes and reforms that are already in the making in the European Union. One indicator for this has been the telling silence of

[7] W. Buiter: Regional integration and globalization: implications for transition countries – keynote delivered to the 3rd annual conference of the Munk Center for International Studies, Trinity College, University of Ontario, entitled "Canada and the New Europe", 26-27 February 2004.

[8] A. Fatas, I. Mihov: The case for restricting fiscal policy discretion, in: The Quarterly Journal of Economics, Vol. 118, No. 4, 2003, pp. 1419-1448.

[9] L. Csaba: A non-stability and anti-growth pact for Europe?, in: L. Csaba: The New Political Economy of Emerging Europe, Kluwer/Akademiai, forthcoming.

[10] This one-shot option is of course not exhausted, since new privatisation in the areas of physical infrastructure, welfare services and network industries, as well as the opening up of previously closed markets such as air transport, provide sizeable opportunities for new investments in new areas in the foreseeable period of time.

the representatives of new member states (then candidates) in the Convention on the European Constitution. True, there has been a good reason to keep silent. Incumbents have long been deeply split, and ever since the unlawful boycott of Austria in 2000, followed by the divisions following 9/11 and even more the war on Iraq, an atmosphere of distrust emerged among the incumbents. Sensing this, the new members – called also "new Europe" by their American allies – felt it more rational to keep their opinions to themselves and not to antagonise anyone too early. This did work insofar as the accession negotiations could be concluded according to the road map, adopted in the Nice Council, that had looked quite ambitious at the time of its adoption. On the other hand, their behaviour contributed to "sweeping problems under the carpet", i.e. to avoiding any issue of controversy.[11] This did allow the adoption of the draft document but as evidenced already in the December 2003 Brussels Council, these problems did crop up at a later stage. The non-adoption of the Constitution is not a catastrophe *per se*, however. But the Polish-Spanish axis has already foreshadowed that new members may be much less docile than they may have seemed. Quite in line with game theory, the very fact that the number of agents has significantly increased, while the mechanism of decision-making has not been changed fundamentally, means that it is easy to forecast the possibility of ad hoc coalitions emerging, quite unrelated to the substance of the subject-matter.

Also the atmosphere and the negotiations of the Copenhagen Council of December, 2002[12] have indicated that concerns of re-distribution, bargains about macro-economically insignificant amounts, that later may be presented as a diplomatic victory for the domestic audience, are likely to dominate over broader issues, especially ones relating to long-term matters and institutional reforms. This has two immediate consequences. For one, the new members have demonstrated our claim, elaborated above, that they are quite good at learning the practices of incumbents. Therefore low politics has been dominant over high politics. By the same token the chances of reform are quite dim and diminishing. This is one of the old insights of the literature on policy reform,[13] that at times when concerns over redistribution dominate, no major reforms are feasible in a political sense, irrespective of the severity of the economic situation. The new members therefore may contribute to the lack of actual reforms (as opposed to rhetoric), since they interpret their national interest *exclusively* in terms of net transfer positions.[14]

This situation is dangerous on two planes. First the vested interest politics that contributed to the slowdown and watering down of several reform initiatives of the common agricultural policy as well as of the structural funds over the past 15 years is likely to receive new support from the new member states. An anti-reform alliance – if you wish, the coalition of the nasty – is already in the making and may pre-empt the financial guidelines for 2007-2013 from being elaborated along the lines of new principles and new expenditure priorities, in line with the principles of public finance. Their foot dragging is unlikely to be productive, since the net contributors have made it clear long ago that as long as the questionable efficiency of current EU spending is not revised they do not see any reason to contribute more; actually less contribution should suffice.[15]

Second, and equally importantly, the governments as well as the population of the new member states may be deeply disenchanted seeing that the EU is no longer replicating its policies where major trans-border official transfers assisted countries at the lower level of development. The drift between their (obviously inflated) expectations and foreseeable realities may easily translate into a political backlash. One part of this is the replication of earlier experience, namely that governments which have led their countries to the EU tend to lose out in the subsequent election. More importantly, however, an overall mood of Euro-scepticism is likely to take root. Opinion polls as well as low turnout in the referenda on EU membership have already foreshadowed that this turn may be realistic.

As a consequence, and not least because of their preparing for the past war, the new members may fall short of making use of even those opportunities that present and future – reformed – EU funds and proce-

[11] K. Hänsch: ‚Beschreiben was sein kann': der Verfassungsentwurf der Europäischen Konvents, in: Zeitschrift für Staats- und Europawissenschaften, Vol. 1, No. 3, 2003, pp. 299-312.

[12] P. Gyorkos: A csatlakozasi targyalasok zaro szakasza, legfontosabb esemenyei es eredmenyei, a Koppenhaga utani feladatok (The concluding phase of accession negotiations, its major results and tasks after Copenhagen), in: Europai Tukor, Vol. 8, No. 1, 2003, pp. 139-146. The author was the chief negotiator for the Hungarian delegation at the expert level.

[13] R. Bates, A. Krueger: Generalizations arising from the country studies, in: R. Bates, A. Krueger (eds.): The Political Economy of Economic Policy Reform, Oxford 1993, Basil Blackwell.

[14] Speaking at the congress of the ruling Hungarian Socialist Party, the Prime Minister Peter Medgyessy mentioned as one of his four absolute top priorities the maximisation of transfer payments from the European Union. Reported inter alia in: Nepszava, 13 March 2004, and reiterated in a subsequent cabinet meeting (cf. Vilaggazdasg, 19 March 2004).

[15] J.-J. Hesse: Europa professonalisieren, a study commissioned by the federation of German Taxpayers, Berlin, September 2002.

dures would allow for them. The Scandinavian vicious circle scenario may be replicated in political terms, without however the efficacy of the Scandinavian members in making use of EU funds, or for furthering their own agenda.

Status-quo Assumptions

It may be particularly challenging to see *how little the new members are prepared, at least at the policy-making level, for the foreseeable changes in all major EU policies.* While both in the academic literature and in the policy initiatives, such as reform projects by the Commission or by some of the major net contributors the contours of change have already emerged,[16] the policy-making of the new members continues to build on status-quo assumptions. As far as I am informed no background materials are being prepared for the scenarios should EU agricultural policy or regional support schemes be further changed.

Let us take only those areas where spending may be most sizeable, such as the two areas mentioned above, environmental protection and common foreign and security policy (CFSP)!

Agriculture and rural development have traditionally been the areas which have been least prepared for the new challenges. This has to do with the command economy methods and the insulation of the field from the rest of the economy. In some countries the producer lobby has also been over-represented in the political arena. But across the board there emerged a consensus that new members should replicate the post-war experience of western Europe, that is support farmers via prices so as to allow for rural development. It counts among the commonplaces in the EU to reiterate, ever since the MacSharry reforms of 1992 (extended by Agenda 2000) that there is neither money nor justification to replicate history. Still, given that rural areas have been neglected in most accession countries ever since the 1930s (when the depressed farm prices became a factor of the economic re-distribution) the tendency to see investment now as a compensation for historic injustice is widespread even today. The idea of de-coupling rural ways of life from the cultivation of land and animal husbandry still sounds alien to many. Sectoral plans aim either at self-sufficiency, or, as in the case of Hungary, re-establishing the role of this area as a leading export sector. These projects simply disregard the fact that EU policies over the last dozen years has aimed at reducing overproduction, and since this is an outcome of domestic and global challenges there is no way to revert it. Also for considerations of environmental sustainability, rural development de-coupled from farming seems to be in the interest of the new democracies. But the political interpretation remains quite different.

In terms of regional development there still is a faint hope that the major transfers enjoyed by the southern members will be replicated. There is limited if any understanding of the inevitability of following efficiency principles, once the amount to be distributed remains limited or even decreases in relative terms. The fact that most EU supported projects require advance financing and also co-funding by the national and local organs, the diminishing role of national gate-keepers is poorly understood. Given that the backwardness of physical infrastructure has become a bottleneck, spending on this is likely to increase. Funding, however, must come primarily from the private market, if for no other reason than the small macroeconomic significance of EU spending (below 0.4 per cent of GDP). As long as EU structural spending has not been shown to be conducive to regional catching up,[17] not least because of its small size and because of the political determination of objectives, one wonders what role this factor may play in the new member states. The latter are often willing to give in to the pressures[18] to subordinate their territorial modernisation to the needs of structural spending by the EU. This would be a serious mistake, since regional structures are formative in the political set-up of any country, and furthermore they may play important roles in supporting the choice of investments.

As far as the environmental agenda is concerned, in the past couple of years a de-emphasis of this field in terms of shares of total government allotments could be observed. Also the long transition periods "obtained" on accession reflect a limited interest, let alone urgency, in tackling these long-term issues. The green ministries continue to be weak portfolios in the fight for limited resources, and agreeing to the EU acquis has provided only limited and temporary assistance.

Last but not at all least mention should be made of the common foreign and security policy. Slow progress in the transformation of Romania and Croatia, or more recently the re-eruption of ethnic violence in Kosovo, or the close to civil war situation in Macedonia in 2003, are all indicative of a very real need for the EU

[16] Forum: EU cohesion policy: challenges and responses, in: INTERECONOMICS, Vol. 38, No. 6, 2003, pp. 292-311.

[17] H. Midelfart-Kravnik, H. Overmans: Delocation and European integration: is structural spending justified?, in: Economic Policy, 2002, No. 35, pp. 328-358.

[18] M. Ferry: The EU and recent regional reforms in Poland, in: Europe-Asia Studies, Vol. 55, No. 7, 2003, pp. 1097-1116.

to develop an ability to act, at least in its own "backyard". True, the EU has remained a basically civilian institution. Still, the unstable environment, as well as the need to speak with a common voice at least on issues of immediate common concern, such as the western Balkans, need to be addressed. While using force always remains an "*ultima ratio*", being unable to enforce peace, even against small bands of armed people, may seriously undermine the credibility of the EU in international relations. Providing a European perspective should certainly entail more than declarative diplomacy.[19]

Silence on Future Developments

Being unprepared for the EU is most palpable in the new member countries' silence on the future of the Community. Almost nobody asks the fully legitimate question: what sort of EU do we (Hungarians, Poles etc.) need? Even allowing for the (short-term) political expediency of not getting involved in debates on the future at the Convention, one may have to add the regretful fact that such debates are not being conducted in the academic literature either. Sporadic contributions in the daily press and very general statements by political and academic authorities do not substitute for a substantial rethinking. For the time being the political class entertains itself with wishful thinking in terms of the additional growth EU membership creates, of the contribution of EU funds to improving living standards and the like. The question what new members can contribute to the EU is mostly not even raised. Yet if it is raised (mostly in conferences), the answer is general and non-binding, such as references to the cultural heritage, historic aspects, or the growth new members may generate (even if we were to grow by 10 per cent a year, the macro-significance of the latter could be marginal for the EU-15, given that the new members' combined GDP hardly exceeds 5 per cent of that of the EU 15).

Issues such as the need for a well functioning Community, the need to limit the use of official languages, the imminent need to work with a smaller Commission (that works as a team rather than a set of national delegates), the need to deregulate much of the unnecessary EU regulations (the famous chocolate and cucumber regulations for instance) should be considered. But this is a normative statement rather than a forecast on our part.

Perspectives

Ever since the adoption of the Lisbon Strategy of 2000, as well as following the deliberations of the Convention, there is no doubt that the EU is in need of a fundamental reform. The latter should diminish the role of path dependency in its policies, and make the acquis more forward-looking. Under this angle the rejection of the draft Constitution in December 2003 should not necessarily be counted as destructive. What we do have at hand is more a consolidation of the status quo than a forward-looking document.[20] If this assessment holds, this might not be the time to adopt a Constitution, and the loss of face by those involved is a smaller evil against a bad basic law that could limit further change for a long time to come.

For the time being the text available is redundant on issues that are unrelated to EU policies (cultural heritage etc.) but is silent upon all matters that relate to the fundamentals of the EU in a dynamic perspective (federalism versus inter-governmentalism, simpler decision-making, principles of finance etc.). Very little has been attained to make decision-making suitable for 25 and more members, for avoiding the practice of four-day-and-four-night sessions à la Nice, and introducing real subsidiarity.[21]

Likewise it takes time to realise that new, non-governmental forms of cooperation, such as emerged in the fields of environment or fisheries, may be the model for the future. In these areas – similarly to the CFSP – although there are common goals/policies/norms, there are no common funds. The role of organs other than the Council, the involvement of regions and civil society, may be the name of the game.

If this is the case, a relatively simple measure of EU preparedness can be developed for the new member states. The less they talk about money/net recipient position, the less attention and energy they devote to dodging various pieces of the acquis, be they the Stability and Growth Pact or the environmental acquis, the more they advance propositions of collective rationality, rather than individual rationality, the more they are prepared. True, under this broader angle some of the incumbents of the EU-15 may well want to unlearn the dominance of low politics in their approach to the future of the EU. Then and only then will the Lisbon Strategy, and the ensuing more global competitiveness, sustained growth, and the "ever closer union of European nations" become a reality, not just a normative consideration.

[19] P. Balazs: Az Europai Unio kulpolitikaja es a magyar-EU kapcsolatok fejlodese (External policies of the European Union and the development of Hungarian-EU relationships), Budapest 2002, Kerszov Uzleti es Jogi Kiado. The author is Hungary's first commissioner in Brussels.

[20] K. Hänsch, op. cit.

[21] H. Nurmi, M. Hosli: Which decision rule for a future Council?, in: European Union Politics, Vol. 4, No. 1, 2003, pp. 37-50.